

Message Text

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TO AMEMBASSY QUITO

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L STATE 299843

E.O. 11652: GDS

TAGS: EINV, ENRG, PFOR, EC

SUBJECT: GOE-GULF NEGOTIATIONS

REF: QUITO 8491

1. ON DECEMBER 7 ASSISTANT SECRETARY SHLAUDEMAM MET WITH GULF OIL CO. PRESIDENT FOR LATIN AMERICA T.D. LUMPKIN, WHO ALREADY KNEW THE GIST OF REFTEL. LUMPKIN SAID THAT GULF WAS VERY IMPRESSED WITH AND GRATEFUL FOR WHAT AMBASSADOR BLOOMFIELD HAD ACCOMPLISHED TO DATE, AND HOPED THAT NEGOTIATIONS WOULD CONTINUE. HE ADDED, HOWEVER, THAT GULF HAD RECEIVED NO WORD FROM THE GOE ABOUT THE DATE OF THE NEXT NEGOTIATING SESSION.

2. LUMPKIN TOLD SHLAUDEMAM THAT WHEN FINANCE MINISTER SEVILLA MET WITH GULF REPRESENTATIVE O'BRIEN ON DECEMBER 3, SEVILLA MADE THE FOLLOWING POINTS (IN ADDITION TO PARAGRAPH FOUR OF REFTEL):

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A. SEVILLA WAS BEING INSTRUCTED BY GENERAL DURAN;

B. THE SALES PRICE WOULD INCLUDE THE PIPELINE AND ALL FACILITIES, THE AMOUNT TO BE DETERMINED BY AN INDEPENDENT AUDIT AFTER GULF AND THE GOE AGREED ON MINIMUM AND MAXIMUM

VALUES;

C. IT WOULD BE NO PROBLEM FOR THE GOE TO AGREE TO PAY GULF A CASH DOWN PAYMENT, AND THE REST ON TERMS, VIA AN INTERNATIONAL LOAN;

D. A QUIT CLAIM WOULD BE INCLUDED; AND

E. THERE WOULD BE A DIFFERENCE OF OPINION OVER THE PRICE OF THE PIPELINE, BUT SEVILLA HOPED THAT THE TWO SIDES WOULD BE ABLE TO AGREE TO SETTLE THEIR DIFFERENCES VIA AN INDEPENDENT AUDIT OR INTERNATIONAL ARBITRATION. NOTE: THOSE FINAL TWO WORDS SURPRISED US, BUT WHEN QUESTIONED, LUMPKIN CONFIRMED SEVILLA'S USE OF THEM.

3. LUMPKIN SAID THAT GULF WAS WILLING TO BE PATIENT, WOULD NOT DO ANYTHING TO DISTURB THE PRESENT DELICATE STATE OF NEGOTIATIONS, AND WOULD NOT RELEASE THE PRESS STATEMENT THAT IT PREPARED LAST WEEK. HE ADDED THAT GULF WAS ALSO WILLING TO CONTINUE LIFTING OIL, PAYING ROYALTIES, AND MEETING CASH CALLS DURING 1977 WHILE NEGOTIATIONS CONTINUED, PROVIDED THAT AN INTERIM AGREEMENT ABOUT THAT COULD BE REACHED.

4. IN RESPONSE TO QUESTIONS, LUMPKIN CONFIRMED THAT GULF SHOULD HAVE ABOUT AN \$80 MILLION FLOAT ON DECEMBER 31, \$13 MILLION OF WHICH WOULD BE OWED GULF BY THE GOE, LEAVING A NET FLOAT OF \$67 MILLION. HE ALSO SAID THAT THE NET BOOK VALUE OF GULF'S INVESTMENT IN ECUADOR WAS ABOUT \$126 MILLION, INCLUDING THE PIPELINE.

5. LUMPKIN MENTIONED THAT GULF HAD QUERIED CITIBANK IN NEW YORK ABOUT GULF'S GENERAL OUTLINE OF A FINANCING ARRANGEMENT, AND HAD BEEN TOLD GULF HAD A SOUND PROPOSAL. LUMPKIN GAVE US A COPY, WHICH WE SENT BY SEPTTEL. CONFIDENTIAL

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6. COMMENT: LUMPKIN WAS MUCH MORE CONCILIATORY THAN ON PREVIOUS OCCASIONS IN THE DEPARTMENT, AND SEEMED SINCERELY DESIROUS OF AVOIDING A CONFRONTATION WITH THE GOE THIS MONTH. HOWEVER, HE STILL OBVIOUSLY HAS DOUBTS ABOUT THE GOE'S ABILITY TO CONCLUDE AN AGREEMENT, AND WILL BELIEVE IT ONLY WHEN HE SEES IT. WHO CAN BLAME HIM? ROBINSON

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